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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 AF-08

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R 221525Z JUL 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5480

INFO AMEMBASSY DOHA

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E.O. 11652: GDS

TAGS: ENRG, EG, US

SUBJECT: EGYPTIAN PETROCHEMICAL PLANS

REF: ALEXANDRIA 416 (NOTAL)

1. SUMMARY: RAMSI LEITHY, CHAIRMAN, EGYPTIAN
GENERAL PETROLEUM CORPORATION (EGPC), TOLD US RECENTLY
THAT PLANS FOR A LARGE-SCALE PETROCHEMICAL INDUSTRY
IN EGYPT A LA 1974 UNION CARBIDE PROPOSAL HAVE
BEEN ABANDONED FOR PRESENT BECAUSE OF LACK OF FINANCING.
EGPC CONSIDERING POSSIBLE SMALL-SCALE ETHYLENE
CONVERSION PROJECT, USING IMPORTED ETHYLENE, BUT NO
DECISION REACHED. END SUMMARY.

2. FOLLOWING ABORTIVE 1974-75 UNION CARBIDE
PROPOSAL FOR LARGE-SCALE PETROCHEMICAL COMPLEX AT
MEDITERRANEAN TERMINUS OF SUMED PIPELINE, VARIOUS
REPORTS HAVE BEEN CIRCULATED REGARDING EGYPTIAN
INTENTIONS IN THIS FIELD, INCLUDING RUMORS THAT
EGYPT STILL INTENDS TO MOUNT MAJOR PETROCHEMICAL
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SCHEME. REAL INFORMATION ON THE SUBJECT HAS BEEN

ALMOST NON-EXISTENT, HOWEVER, SINCE SUBMISSION
FLUOR AND ASSOCIATES FEASIBILITY STUDY IN FALL, 1975.
EMBOFF RECENTLY CALLED ON RAMSI LEITHY, CHAIRMAN,
EGYPTIAN GENERAL PETROLEUM CORPORATION (EGPC), WHO
HAS BEEN CHARGED BY MINISTER OF PETROLEUM AHMED HILAL
WITH DRAWING UP AND IMPLEMENTING COUNTRY'S FUTURE
PETROCHEMICAL SCHEMES, IN EFFORT GAIN SOME CLARIFICATION
ABOUT GOE PLANS.

3. AT OUTSET, LEITHY SAID THAT IDEA OF LARGE PETRO-
CHEMICAL INDUSTRY IN EGYPT, AT LEAST IN FORESEEABLE
FUTURE, HAS BEEN ABANDONED; PRIMARY REASON IS HIGH
COST. HE EXPLAINED THAT IN ORDER TO USE ALL OF
PRODUCTS OBTAINED FROM PLANNED NAPHTHA CRACKER,
SUBSTANTIAL DOWNSTREAM INVESTMENT IN EACH OF BYPRODUCTS
IS NECESSARY. LEITHY CLAIMED THAT LATEST ESTIMATES
ARE THAT MINIMUM OF \$2 BILLION NEEDED TO CARRY OUT
SUCH PROJECTS. CERTAINLY EGYPT COULD NOT FINANCE
THIS DEVELOPMENT AND NO ARAB COUNTRY IS CURRENTLY
INTERESTING IN ASSISTING. (NOTE: HILAL RECENTLY TOLD
AMBASSADOR THAT THREE OTHER ARAB STATES ARE PLANNING
LARGE PETROCHEMICAL INDUSTRIES, HENCE EGYPT'S HOPE TO
BECOME PRINCIPAL PETROCHEMICAL SUPPLIER FOR ARAB WORLD
HAD ABORTED.)

4. INSTEAD, LEITHY IS CURRENTLY STUDYING VALUE OF
TRANSFORMING IMPORTED ETHYLENE INTO LOW-DENSITY AND
HIGH-DENSITY POLYETHYLENE AND, IN SEPARATE PROCESS,
INTO POLYVINYL CHLORIDE (PVC). LEITHY ESTIMATES
THAT DEVELOPMENT OF SUCH INDUSTRY WOULD COST \$250 MILLION.
EGYPT WOULD BE PRODUCING PLASTICS AND OTHER SYNTHETIC
MATERIALS FOR ITS OWN INTERNAL CONSUMPTION. HE
EMPHASIZED THAT THIS WOULD NOT REPLACE ANY CURRENT
IMPORTS, BUT WOULD RAISE GENERAL STANDARD OF RAW
MATERIALS (PLASTICS, COMPOSITE WOODS, ARTIFICIAL
LEATHER) AVAILABLE THROUGH THE ECONOMY. HE
STILL HAS NOT DECIDED WHETHER PROJECT IS FEASIBLE
BECAUSE OF THE NEED TO IMPORT RAW MATERIAL. ALEXANDRIA 416
INDICATES DISCUSSIONS CONTINUING WITH POSSIBLE SUPPLIERS.

5. RELATED TO PROJECT IN PARA 4, LEITHY HAS DEVELOPED
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A DEAL WHICH HE PRESENTED TO GOVERNMENT OF QATAR
DURING VISIT ABOUT TWO MONTHS AGO. ACCORDING TO LEITHY,
QATAR, IN CONJUNCTION WITH A FRENCH FIRM, IS PLANNING
TO PRODUCE ETHYLENE AND TO DEVELOP DOWNSTREAM
CAPABILITY TO PRODUCE POLYETHYLENE. LEITHY ATTEMPTED
TO CONVINCE QATARIS THAT THEY SHOULD PUT POLYETHYLENE
PLANT IN EGYPT WHERE HE COULD GUARANTEE THEM AN
180,000 TON PER YEAR MARKET. THE REMAINING 120,000 TONS

PRODUCED COULD ALSO BE EXPORTED MORE EASILY FROM THEN THAN FROM QATAR. QATARI COMPANY WOULD OWN POLYETHYLENE PLANT COMPLETELY, PRESUMABLY IN FREE ZONE. PLANT WOULD BE LOCATED IN SUEZ. LEITHY ALSO PROPOSED JOINT EGYPTIAN-QATARI VENTURE WHICH WOULD INCLUDE PRODUCTION OF PVC. HE HAS NOT YET HEARD FROM QATARIS REGARDING PROPOSAL BUT HE BELIEVES IT SHOULD BE AN ATTRACTIVE ONE BECAUSE HE IS GUARANTEEING QATAR A SUBSTANTIAL MARKET IN EGYPT, AND GOOD POSITION FROM WHICH TO MARKET REST OF PRODUCTS.

6. AS DEPARTMENT AWARE, AID IS CURRENTLY DISCUSSING FINANCING PETROCHEMICAL PROJECT FOR PRODUCTION PARA-XYLENE/DMT AT TOTAL COST OF \$40 MILLION. DMT IS USED IN POLYESTER OR BLENDED FABRIC PRODUCTION.

7. COMMENT: UNLIKE OTHERS, LEITHY'S REALISTIC APPRAISAL OF FINANCING SITUATION HAS LED HIM TO CONCLUSION FURTHER PROGRESS ON ORIGINAL PLANS FOR SUBSTANTIAL INVESTMENT IN PETROCHEMICALS AT THIS TIME IS SIMPLY NOT POSSIBLE.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CHEMICAL INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1976
Decapton Date: 01 JAN 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO09937
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760283-0345
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760734/aaaabcvz.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 ALEXANDRIA 416
Review Action: RELEASED, APPROVED
Review Authority: ellisob
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUN 2004 by BoyleJA>; APPROVED <20 OCT 2004 by ellisob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EGYPTIAN PETROCHEMICAL PLANS
TAGS: ENRG, EG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006